

**LADBROKES (CLJSE) LIMITED**

**DIRECTORS' REPORT - FOR THE PERIOD FROM 5TH NOVEMBER 2004 TO 31ST DECEMBER 2005**

Directors:        A S Ross                (Appointed 4th November 2004)  
                     D M Bowen                (Appointed 4th November 2004)  
                     C Boxall                 (Resigned 4th November 2004)  
                     G R Knight               (Resigned 4th November 2004)  
                     J W Knight               (Resigned 4th November 2004)

Secretary :        M J Noble                (Appointed 4th November 2004)

Registered Office :    Imperial House, Imperial Drive, Rayners Lane,  
                                 Harrow, Middlesex, HA2 7JW

Company Number:    4722286

-----  
The directors present their report and the company's accounts for the period 5th November 2004 to 31st December 2005.

**PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS**

On 5th November 2004 Ladbrokes Betting & Gaming Limited (formerly Ladbrokes Limited) acquired all the shares in the company. Subsequently, and on the same date, the assets and liabilities of the company were transferred to Ladbrokes Betting & Gaming Limited. In prior periods the company traded as licensed bookmakers. The accounts for the period show a retained profit of £6,902. The company did not trade during the period 5 November 2004 to 31 December 2005, and does not expect to trade in the foreseeable future.

**DIRECTORS**

The current directors and those who served during the period ended 31st December 2005 are shown above.

**DIRECTORS' INTERESTS**

All the directors at 31st December 2005 were also directors of Ladbrokes Betting & Gaming Limited, a wholly owned subsidiary of Ladbrokes PLC (formerly Hilton Group plc) at that date, and were not required to notify the company of any interests in any shares or debentures of the company.

**AUDITORS**

During the period Wilder Coe resigned as auditors and Ernst & Young LLP were appointed in their place. A resolution to approve their appointment will be put before shareholders at the next Annual General Meeting.

**SUBSEQUENT EVENTS AND FUTURE DEVELOPMENTS**

On 23rd February 2006 the company's immediate parent undertaking changed its name from Ladbrokes Limited to Ladbrokes Betting & Gaming Limited along with the ultimate parent company Hilton Group Plc, which is now known as Ladbrokes PLC.

By order of the Board

A S Ross  
Director



28 JUN 2006



**LADBROKES (CLJSE) LIMITED**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE ACCOUNTS  
FOR THE PERIOD 5TH NOVEMBER 2004 TO 31ST DECEMBER 2005**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

The following statement, which should be read in conjunction with the statement of the auditors' responsibilities set out on page 3, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and the auditors in relation to the accounts.

The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for the financial year.

The directors consider that in preparing the accounts on pages 4 to 9 the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed, subject to any explanations and any material departures disclosed in the notes to the accounts.

The accounts have been prepared on a going concern basis as the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them and which they deem appropriate to safeguard the assets of the company and to seek to prevent and detect fraud and other irregularities.

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LADBROKES (CLJSE) LIMITED

We have audited the company's financial statements for the period from 5 November 2004 to 31 December 2005, which comprise Profit and Loss Account, Balance Sheet and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the directors and auditors**

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

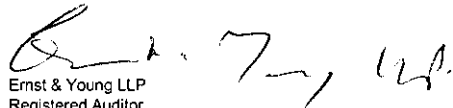
### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
1 More London Place  
London  
SE1 2AF

28 JUN 2006

**LADBROKES (CLJSE) LIMITED****PROFIT AND LOSS ACCOUNT****FOR THE PERIOD FROM 5TH NOVEMBER 2004 TO 31ST DECEMBER 2005**

		Period 05/11/2004 to 31/12/2005	Discontinued Operations Period 01/04/2004 to 04/11/2004
	Notes	£	£
<b>TURNOVER</b>	<b>2.</b>	-	2,161,321
Cost of sales		-	(1,892,732)
<b>GROSS PROFIT</b>		-	268,589
Administrative expenses		-	(162,113)
<b>OPERATING PROFIT</b>	<b>3.</b>	-	106,476
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		-	106,476
Taxation	<b>5.</b>	6,902	(40,804)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		6,902	65,672
Dividends paid		-	-
<b>RETAINED PROFIT FOR THE PERIOD</b>	<b>11.</b>	6,902	65,672

(All operations in the current period and prior period are discontinued.) There are no recognised gains or losses other than those recognised above.

LADBROKES (CLJSE) LIMITED

BALANCE SHEET

AS AT 31ST DECEMBER 2005

	Notes	31/12/2005 £	04/11/2004 £
<b>FIXED ASSETS</b>			
Intangible Assets	6.	-	41,651
Tangible Assets	7.	-	85,657
		-	127,308
<b>CURRENT ASSETS</b>			
Debtors	8.	71,297	13,853
Cash at bank and in hand		-	1,780
		71,297	15,633
<b>CREDITORS: amounts falling due within one year</b>	9.	-	(71,644)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		71,297	(56,011)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		71,297	71,297
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred Taxation		-	(6,902)
<b>NET ASSETS</b>		71,297	64,395
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10.	2	2
Profit and loss account	11.	71,295	64,393
<b>EQUITY SHAREHOLDERS' FUNDS</b>		71,297	64,395

A S Ross  
Director



Dated :

28 JUN 2006

**LADBROKES (CLJSE) LIMITED**

**NOTES TO THE ACCOUNTS - FOR THE PERIOD FROM 5TH NOVEMBER 2004 TO 31ST DECEMBER 2005**

**1. ACCOUNTING POLICIES**

**1.1 Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

**1.2 Intangible fixed assets and amortisation**

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the profit and loss account over its estimated economic life of ten years.

Licences represent the capitalisation of costs incurred in obtaining licences for betting shops. These are amortised over their useful economic life of ten years.

**1.3 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of the fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold buildings	-	5% straight line
Fixtures and fittings	-	14.29% straight line

**1.4 Operating leases**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on the straight line basis over the lease term.

**1.5 Deferred taxation**

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets.

**2. TURNOVER**

Turnover, in the period 1 April 2004 to 4 November 2004 represents the gross amount of betting stakes received by the company and the net income received from gaming machines.

Turnover was attributable to one discontinued operation, the trade of cash bookmaking and related to one geographical region, the United Kingdom.

**3. OPERATING PROFIT**

is stated after charging :

	Period 05/11/2004 to 31/12/2005 £	Discontinued Operations Period 01/04/2004 to 04/11/2004 £
Amortisation	-	3,787
Depreciation of tangible fixed assets	-	12,283
Auditors remuneration	-	4,000

Audit fees for the period 05 November 2004 to 31 December 2005 have been borne by another group company.

# **LADBROKES (CLJSE) LIMITED**

## **NOTES TO THE ACCOUNTS - FOR THE PERIOD FROM 5TH NOVEMBER 2004 TO 31ST DECEMBER 2005**

### **4. DIRECTORS AND EMPLOYEES**

The directors emoluments in the current period are borne entirely by other group companies and it is not practicable to estimate what portion of their emoluments are attributable to this subsidiary. The directors, one of whom was a member of the Ladbrokes PLC Pension Plan, a defined benefit scheme, received total remuneration including pension contributions for the period 5 November 2004 to 31 December 2005 of £433,051. Certain directors emoluments in the prior year were borne by the company. The total remuneration including pension contribution borne by the company for the period ended 04 November 2004 was Nil.

	Period 05/11/2004 to 31/12/2005 £	Discontinued Operations Period 01/04/2004 to 04/11/2004 £
Staff Costs:		
Salaries	-	61,838
Social security costs	-	5,638
		<u>67,476</u>
Average number of employees	-	<u>7</u>

### **5. TAXATION**

	Period 05/11/2004 to 31/12/2005 £	Discontinued Operations Period 01/04/2004 to 04/11/2004 £
UK Corporation Tax	-	33,783
Deferred Tax (Credit)/Charge	(6,902)	7,021
Total Tax per Accounts	<u>(6,902)</u>	<u>40,804</u>

### **FACTORS AFFECTING THE TAX CHARGE FOR THE PERIOD**

The tax charge shown for the period is different from the standard rate of corporation tax in the UK of 30%. This difference is explained below :

	Period 05/11/2004 to 31/12/2005 £	Period 01/04/2004 to 04/11/2004 £
Profit on ordinary activities before tax	-	<u>106,476</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK (30%)	-	31,943
Permanent disallowables	-	1,682
Capital allowances in advance of depreciation	-	158
Total tax per accounts	-	<u>33,783</u>

### **6. INTANGIBLE ASSETS**

	Licences £	Goodwill £	Total £
<b>COST:</b>			
At 4th November 2004	3,644	44,499	48,143
Transfer to holding company	(3,644)	(44,499)	(48,143)
At 31 December 2005	-	-	-
<b>Amortisation</b>			
At 4th November 2004	492	6,000	6,492
Transfer to holding company	(492)	(6,000)	(6,492)
	-	-	-
<b>NET BOOK VALUE:</b>			
At 31 December 2005	-	-	-
At 4th November 2004	3,152	38,499	41,651

**LADBROKES (CLJSE) LIMITED****NOTES TO THE ACCOUNTS - FOR THE PERIOD FROM 5TH NOVEMBER 2004 TO 31ST DECEMBER 2005****7. TANGIBLE FIXED ASSETS**

	Leasehold buildings	Fixtures and Fittings	Total
	£	£	£
<b>COST:</b>			
At 4th November 2004	20,292	88,267	108,559
Transfer to holding company	(20,292)	(88,267)	(108,559)
At 31 December 2005	-	-	-
<b>DEPRECIATION:</b>			
At 4th November 2004	1,119	21,783	22,902
Transfer to holding company	(1,119)	(21,783)	(22,902)
At 31 December 2005	-	-	-
<b>NET BOOK VALUE:</b>			
At 31 December 2005	-	-	-
At 4th November 2004	19,173	66,484	85,657

**8. DEBTORS**

	31/12/2005	04/11/2004
	£	£
Amounts owed by group undertakings	71,297	-
Prepayments and accrued income	-	13,853
	71,297	13,853

**9. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31/12/2005	04/11/2004
	£	£
Amounts owed to group undertakings	-	16,207
Corporation tax	-	34,404
Accruals and deferred income	-	21,033
	-	71,644

**10. SHARE CAPITAL**

	31/12/2005	04/11/2004
	£	£
<b>Authorised,:</b>		
Ordinary shares of £1 each	100	100
<b>Allotted and fully paid</b>		
Ordinary shares of £1 each	2	2



**LADBROKES (CLJSE) LIMITED****NOTES TO THE ACCOUNTS - FOR THE PERIOD FROM 5TH NOVEMBER 2004 TO 31ST DECEMBER 2005****11. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES**

	Share Capital £	Profit and Loss Account £	Total £
As at 1st April 2004	2	(1,279)	(1,277)
Profit for the period	-	65,672	65,672
At 4 November 2004	2	64,393	64,395
Add profit for the year	-	6,902	6,902
At 31st December 2005	2	71,295	71,297

**12. OPERATING LEASE COMMITMENTS**

	Land and buildings	
	31/12/2005 £	04/11/2004 £
Expiry date: After more than five years	-	39,000

**13. CASH FLOW STATEMENT**

The company has taken advantage of FRS1 which exempts wholly owned and controlled subsidiaries from preparing a cash flow statement where 90% or more of the voting rights are controlled within the group. The ultimate parent company, Ladbrokes PLC, has included the required consolidated cash flow statement within its consolidated financial statements.

**14. POST BALANCE SHEET EVENTS**

On 23rd February 2006 the company's immediate parent undertaking changed its name from Ladbrokes Limited to Ladbrokes Betting & Gaming Limited along with the ultimate parent company Hilton Group Plc, which is now known as Ladbrokes PLC.

**15. CONTINGENT LIABILITY**

The company has jointly and severally guaranteed the Value Added Tax liability of Ladbrokes PLC Group companies within the group registration, which amounted to approximately £7.9 million as at 31 December 2005 (2004 - £12.1 million).

**16. RELATED PARTY TRANSACTIONS**

The company has taken advantage of FRS8 which exempts subsidiary companies, 90% or more of whose voting rights are controlled within the group, from disclosing transactions with entities that are part of the group or investees of the group qualifying as related parties.

**17. PARENT COMPANY AND ULTIMATE HOLDING COMPANY**

The company's immediate parent company is Ladbrokes Betting & Gaming Limited, a company registered in England and Wales. The largest and smallest group in which the results of Ladbrokes (CLJSE) Limited are consolidated is that of the ultimate holding company, Ladbrokes PLC, a company registered in England and Wales, accounts of which are available from the registered office of that company at Imperial House, Imperial Drive, Rayners Lane, Harrow, Middlesex, HA2 7JW.

**18. ACCOUNTING REFERENCE DATE**

The accounts are prepared for the period 5 November 2004 to 31 December 2005. The comparatives are for the period 1 April 2004 to 4 November 2004.